

Attachment

Gateway to LA (Century Corridor) Property-Based Business Improvement District

FINAL ENGINEER'S REPORT

September 2005

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ENGINEER'S STATEMENT

This Report is prepared pursuant to Section 36600 et.seq. of the California Streets and Highways Code (the "Property and Business Improvement District Law of 1994" as amended) (here and after "State Law") and pursuant to the provisions of Article XIID of the California Constitution (Proposition 218).

The Gateway to LA (Century Corridor) Property-Based Business Improvement District ("PBID") is designed to improve and benefit properties in the Century Corridor area of Los Angeles. Every property within the PBID receives benefit from the clean and safe programs, marketing and administration activities and consultant services. Only those properties within the PBID shall receive the special benefit of these proposed improvements and activities (Exhibit A).

The duration of the proposed PBID is ten (10) years and an estimated budget for the PBID improvements and activities is set forth in Exhibit B. Assessments will be subject to an annual increase of up to 3% per year as determined by the Owners Association and will vary between 0 and 3% in any given year. Funding for the PBID improvements and activities shall be derived from a property based assessment of each benefited parcel in the PBID. A detailed description of the methodology for determining the benefit assessment for each parcel is set forth in Exhibit C.

This Report includes the following attached Exhibits:

EXHIBIT A: A detailed description of the improvements and activities to be provided.

EXHIBIT B: The estimate of the cost of the improvements and activities.

EXHIBIT C: A statement of the method by which the undersigned determined the amount proposed to be assessed against each parcel, based on benefits to be derived by each parcel, respectively, from the improvements and activities.

EXHIBIT D: An assessment roll, showing the amount proposed to be specially assessed against each parcel of real property within this assessment district.

Respectfully submitted,

Terrance E. Lowell, P.E.

EXHIBIT A: IMPROVEMENTS AND ACTIVITIES

The PBID will continue providing a number of services and activities that have been successfully implemented to date. These include direct program services, marketing, consultant services, and administration. These services support the goals and objectives of the PBID, namely to improve the appearance of the PBID and enhance its image, improve safety and cleanliness, and market the businesses and properties in the PBID.

Direct Programs

These programs are the activities through which Gateway to LA, Inc. directly interacts with and provides services to PBID constituents and guests. These programs are described in the following paragraphs.

Security/Goodwill Ambassador Program

This program uses security/goodwill ambassadors to create a visible presence within the PBID area to foster a safer environment for area tenants and visitors. Two-man teams conduct bike patrols in the PBID area seven days a week from 7:00 am to 11:00 pm. The bike patrol teams provide additional “eyes and ears” on the street to discourage crime and panhandling, assist visitors and tourists by providing information and answering questions, and help create a safer and more pedestrian-friendly environment. The bike patrol also communicates directly with the police department for faster response times in case of emergencies. This enforces a safer environment which improves the PBID area for visitors and tourists, encourages more business activity and investment dollars in the PBID. 90% of owners and tenants perceive a safer environment since the inception of the PBID. Expenses include the cost of contracting with an outside service to supply goodwill ambassador personnel; the costs to purchase uniforms, the bicycles used by the ambassadors to patrol the area, walkie-talkies and related communication equipment; video surveillance; and incidental expenses.

Keep It Clean and Maintenance Program

The Keep It Clean Program provides 7 days a week trash removal, street and sidewalk sweeping, graffiti removal, quarterly sidewalk pressure washing, and daily landscape maintenance, and other services necessary to maintain and enhance the appearance of the PBID area and encourage increased tenant and visitor generation.

Beautification and Art Program

This program, which will be developed in more detail with the assistance of the marketing consultant, will include projects designed to improve the general appearance of the streets and properties in the PBID and may include way-finding signage, murals, special lighting, and other beautification elements all in an effort to create a sense of community.

Marketing Program

Marketing and public relations efforts will focus on business, tenant and visitor retention and attraction. Marketing may include, but is not limited to, public relations, media placement of positive stories concerning the PBID and its revitalization, promotional events, advertising, continuing to strengthen the PBID's relationship with LA Inc., and maintaining and updating the Gateway to LA PBID webpage. Promotional events will include activities such as the annual holiday concert and fundraiser. Efforts to attract retail amenities to the area will continue through working with real estate brokers to assist and cooperate in attracting retail tenants such as restaurants, retail shops and cinemas. With the assistance of a marketing consultant to be hired, the PBID will also undertake branding activities to strengthen the name recognition for the Gateway to LA PBID.

As a key component to the marketing program, the Ocean Express Shuttle Program operates between the PBID area and three locations in Manhattan Beach and provides a convenient transportation link to the beach, shopping, and other venues of interest to guests of hotels in the PBID, and employees of other businesses in the PBID. Hotel guests and area workers must show a hotel room key, business card, or other proof that they are either a hotel guest or employee of a business in the PBID. The Shuttle does not provide service to the general public. The Shuttle Program is a marketing tool intended to increase hotel occupancy rates by extending the length of the average hotel stay. It also provides a more attractive business environment, thereby increasing lease rates and reducing building vacancies. Both of which are a direct benefit to properties in the PBID.

Administration

Administrative services include compensation paid to the Executive Director and the Operations Manager for the PBID; administrative assistance provide to the Executive Director for word-processing, expense related to stationary, postage, copies, faxes, vehicle mileage reimbursement, and other incidental items; insurance premiums (both general liability coverage and director and officer liability coverage); and fees and expenses related to the renewal and adoption of the PBID for an additional ten (10) year term. In order to manage the day to day programs and operations of the PBID, administration is crucial in the oversight of how the assessment revenues are expended.

Consultant Services

Consultant services will generally fall into three major categories: monitoring of Department of Airport (Airport) activities, tax/accounting services, and marketing consulting services.

The monitoring of Airport activities will include the reviewing and responding to Airport plans, reports and environmental impact reports by consultants retained by the PBID. Activities that Gateway to LA anticipates addressing with the Airport include, but are not limited to: construction and roadway improvements affecting properties in the PBID; acquisition by the Airport of properties in the PBID for airport expansion purposes; and the landscaping and screening of Airport and Airport-tenant properties in and adjacent to the PBID.

Tax/accounting services will include services and fees in response to City, County, state and/or federal reporting requirements, legal counsel services as needed, and the architectural review of Airport-proposed beautification/ improvement programs affecting PBID properties.

Capital Reserves

Capital reserves will be set aside from assessments to address potential losses of any PBID property that might be acquired by the Department of Airports or other public entity over the 10-year PBID term, or to cover a potential shortfall if a property fails to pay its annual property taxes and assessments.

EXHIBIT B: ESTIMATE OF COST

The following table shows the projected budget for 2006.

Improvements & Activities	Budget
Direct Programs	\$300,000
Marketing Program	\$332,000
Administration	\$149,145
Consultant Services	\$35,000
Capital Reserves	\$25,000
Total	\$841,145

Budget Notations

1. Assessments will be subject to an annual increase of up to 3% per year as determined by the Owners Association and will vary between 0 and 3% in any given year.
2. Any accrued interest or delinquent payments may be expended in the above categories.

EXHIBIT C: METHOD OF APPORTIONMENT

Background

The Gateway to LA PBID was initially approved in 1997 and was renewed again in 2000. The Board of Directors of Gateway to LA, Inc. is seeking to renew the PBID for a 10-year term from January 1, 2006 through December 31, 2015, and to expand the PBID to include additional properties that will benefit from the programs to be provided during the renewal term.

PBID Boundary

The existing PBID is comprised of properties along the north side of Century Boulevard between La Cienega Boulevard and Sepulveda Boulevard, and along the south side of Century Boulevard from La Cienega Boulevard to Aviation Boulevard. The district includes nearby properties that have addresses on La Cienega Boulevard, 102nd Street, 98th Street, Aviation Boulevard, Sepulveda Boulevard and Airport Boulevard.

The Expansion Area will add the properties on the north side of 98th Street between Sepulveda Boulevard and Aviation Boulevard.

The area south of Century Boulevard between Sepulveda Boulevard and Aviation Boulevard is not included in the PBID boundary for a couple of reasons. Mainly those parcels are owned, operated and maintained by the Los Angeles World Airports (LAWA), the U.S. Postal Service, or other governmental or airport-related entities, and do not further the goals of the PBID. Plus those parcels are physically fenced off from the remainder of the PBID area, and are generally not accessed by the businesses and customers of the PBID and will not receive any benefit from the proposed improvements and activities.

Special Benefit

The Property and Business Improvement District Law of 1994, as amended, and the State Constitution Article XIID require that assessments be levied according to the special benefit each parcel receives from the improvements and activities.

We determined that the proposed improvements and activities provide a special benefit to the real property within the district area as discussed below for each program. Each of the programs is designed to meet the goals of the PBID; to improve the appearance and safety of the PBID, to increase office building occupancy and lease rates, to increase the length of hotel stays and hotel rates, to encourage new business development and attract ancillary businesses and services.

Security/Goodwill Ambassador Program

This program as described in Exhibit A will provide a higher level of security for the PBID area than the City currently provides. The services the ambassadors provides is specific to the Gateway area, thus, each parcel located in the PBID will benefit from this higher level of security services. Therefore, it is our opinion that there is no general benefit and that the increase level of security provides a special benefit to the parcels in the district area.

Maintenance Program

This program as described in Exhibit A expands both the scale, scope and frequency of the maintenance services the City currently provides in the PBID area. The maintenance program is provided only to the Gateway area, thus, each parcel located in the PBID will benefit from this higher level of maintenance services. Therefore, it is our opinion that there is no general benefit and that the increase level of maintenance provides a special benefit to the parcels in the district area.

Marketing Program

This program as described in Exhibit A is intended to retain and attract new business and encourage visitors to stay for a longer period of time. This is in an effort to enhance the value of the properties and encourage investment dollars. In order to accomplish this, the PBID proposes a myriad of marketing and public relations programs including the Ocean Express Shuttle. This shuttle service is key to the marketing program in that it offers an amenity to both tenants and visitors of the PBID. Because the Gateway PBID is at a disadvantage to some of the surrounding communities with regards to activities and services it offers, it is crucial for the marketing efforts to offer such amenities to compete with these other communities. Secondly, the shuttle bus has signage indicating that it is from the Gateway area, thus promoting the PBID as it drives along.

The marketing program is designed to benefit only the Gateway area, thus, each parcel located in the PBID will benefit from the marketing efforts. Therefore, it is our opinion that there is no general benefit and that the marketing programs provide a special benefit to the parcels in the district area.

In addition to the special benefits described above for the three programs the PBID offers there are also less tangible reasons why these services provide only a special benefit to those properties within the PBID.

1. The proposed district is bound by the airport on the west, residential neighborhoods on the north and south sides, and a commercial area that services the surrounding residential neighborhood.
2. All improvements and activities to be provided through the Gateway PBID are special services and are above and beyond the general level of service the City currently provides.
3. All improvements and activities to be provided through the Gateway PBID are designed by the property owners to increase business revenue and provide special benefits that may result in increased rental occupancy rates and annual revenue incomes to the owners of real property within the district.
4. The California State Legislature found that assessments levied for the purpose of providing improvements and promoting activities that benefit real property are not taxes for the general benefit of a city, but are assessments for the improvements and activities which confer special benefits upon the real property for which the improvement and activities are provided. Streets and Highways Code Section 36601 (d).

All general benefits to the surrounding community and public in general are intangible and are not quantifiable. All benefits derived from the assessments outlined in the Management District Plan are for services directly benefiting the property owners in this specialized district and support increased commerce and the goals and objectives of the business improvement district.

Assessment Method

Determining the proportionate share of special benefit among the parcels of real property, including the government owned parcels, within the proposed assessment district which benefit from the proposed Improvements is the result of a four-step process:

1. Defining the proposed improvements.
2. Identifying how each parcel specially benefits from the proposed improvements and activities.
3. Determining the amount of the special benefit each parcel receives in relation to the other parcels in the district.
4. Apportioning the cost of the proposed improvements and activities to each parcel based on the special benefit received.

The proposed improvements and activities as outlined in Exhibit A will provide a higher level of service than the City provides with City funds to those parcels in the PBID area. Therefore, every parcel in the PBID benefits from the improvements and activities and will receive enhanced safe and clean programs, marketing, administration and consultant services. The PBID programs are designed to deliver service to each parcel within the district.

Assessment Factors

The Gateway to LA property owners and business owners have emphasized that the assessment formula for the PBID must be fair, balanced and have a direct relationship to benefits received. The State enabling legislation also states, "Assessments levied on real property shall be levied on the basis of the estimated benefit to the real property within the district."

The recommended methodology for the Gateway to LA PBID is to spread the cost of the services 50% to lot square footage plus 50% to building square footage, acknowledging the benefits received both at ground level and at developed properties. These factors are good indicators of the parcel's highest and best use of the property and most accurately reflect the quantity of services provided to each parcel.

Lot Square Footage is used to assess the primary benefits of services to the ground level acknowledging the greatest level of benefit is received at street level.

Building Square Footage is used to acknowledge the benefits from the services to the buildings, including tenants, residents and employees.

Assessment Calculation

As previously discussed the budget is split approximately 50% to the lot square footage and 50% to the building square footage. To calculate the assessment for the lot square footage, divide \$419,645.39 (the budget amount allocated to lot square footage) by the total number of lot square feet in the district, 6,091,497. This equals an assessment of \$0.06919 per lot square foot.

To calculate the assessment for the building square footage, divide \$421,500 (the budget amount allocated to building square footage) by the total number of building square feet in the district, 11,077,745. This equals an assessment of \$0.03805 per building square foot.

To calculate a parcel's assessment, multiply that parcel's lot square footage by \$0.06919 plus multiply that parcel's building square footage by \$0.03805, thus equaling total parcel assessment. For example, a parcel with 10,000 lot square feet plus 5,000 building square feet will receive an assessment of \$882.15 (10,000 x \$0.06919 plus 5,000 x \$0.03805).

Government Owned Parcels

Of the nine publicly-owned parcels, six are vacant land that do not have commercial uses (APNs 4124-027, and 4124-024-901 through 905). As such, these parcels do not receive the same special benefits from all of the PBID's programs and activities as privately held properties do. The six parcels will be assessed for the programs and activities from which they derive benefit (Direct Programs, Administration and Capital Reserves) that equal fifty-seven percent (57%) of the total PBID assessment budget in year 1. The tables below show all the government owned parcels and their assessments known at the time of this report.

APN	Owner	Assessment	% of Total Assmt
4124 027 900	L A CITY DWP	\$1,671.47	0.198%
4124 024 901	L A CITY	\$49.30	0.006%
4124 024 902	L A CITY	\$246.52	0.029%
4124 024 903	L A CITY	\$246.52	0.029%
4124 024 904	L A CITY	\$224.89	0.027%
4124 024 905	L A CITY	\$19.72	0.002%
4128 024 901	L A CITY AIRPORT	\$1,762.45	0.209%
4128 024 902	L A CITY AIRPORT	\$10,979.83	1.303%
		\$15,200.72	1.803%
4124 026 900	LA Comm. College Dist	\$16,069.17	1.908%

CPI Adjustment

Assessments will be subject to an annual increase of up to 3% per year as determined by the Owners Association and will vary between 0 and 3% in any given year.

EXHIBIT D: ASSESSMENT ROLL

The total assessment amount for 2006 is \$841,145.39 apportioned as follows on the following pages.